

Message Text

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R 280516Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2947

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 2712

E.O. 11652: N/A

TAGS: ASEAN, ECON

SUBJECT: WIDJOYO AND LEE KUAN YEW ON ASEAN SUMMIT
ECONOMIC AGREEMENTS

REF: JAKARTA 2499

1. IN COMMENTS TO PRESS FEBRUARY 25, GOI MINISTER OF ECONOMY WIDJOYO OFFERED FOLLOWING EXPLANATION OF "PREFERENTIAL TRADING ARRANGEMENTS" AND "LARGE-SCALE INDUSTRIAL PROJECTS" WHICH WERE MENTIONED IN THE JOINT PRESS COMMUNIQUE SIGNED BY THE FIVE ASEAN HEADS OF STATE FEBRUARY 24 (REFTEL, PARA 9-10).

2. PREFERENTIAL TRADING ARRANGEMENTS MEANS GIVING PRIORITY TO INTER-ASEAN TRADE IN BASIC COMMODITIES, SEPECIALLY FOOD AND OIL. FOR EXAMPLE, INDONESIA IS ALREADY BUYING RICE FROM THAILAND AND SELLING OIL TO PHILIPPINES, AND IS NOW NEGOTIATING OIL SALES TO THAILAND. THE PRICE WILL ALWAYS BE NEGOTIATED.

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3. MECHANISMS FOR PREFERENTIAL ASEAN TRADE MENTIONED IN COMMUNIQUE INCLUDE (A) LONG-TERM SUPPLY CONTRACTS, WHICH ASSURE SUPPLY AND STABILIZE PRICES FOR MUTUAL BENEFIT; (B) CONCESSIONAL GOVERNMENT FINANCING OF PURCHASES FROM ASEAN NEIGHBORS, SUCH AS GOI LOW-INTEREST FINANCING OF RICE PURCHASES BY BULOG (STATE PROCUREMENT AGENCY); AND (C) PREFERENTIAL PROCUREMENT OF IMPORTS FROM ASEAN NEIGHBORS, RATHER THAN JAPAN OR OTHER COUNTRIES, IN CASE OF GOVERNMENT PURCHASES.

4. ASEAN INDUSTRIAL PROJECT WILL BE JOINTLY OWNED INDUSTRIAL PROJECTS IN EACH OF FIVE COUNTRIES. MAJORITY OWNERSHIP IN EACH PROJECT WILL BE HELD BY HOST COUNTRY, AND OTHER FOUR ASEAN NATIONS WILL OWN REMAINDER. PROJECTS WILL GIVE PRITY TO SUPPLYING NEEDS OF ASEAN NATIONS. FINANCING WILL BE SOUGHT FROM VARIOUS SOURCES, INCLUDING IBRD AND ADB. ASEAN MEMBERS WILL COORDINATE PRODUCTIONN OF THEIR RESPECTIVE NATIONAL INDUSTRIES THROUGH CONSULTATION TO PREVENT OVERPRODUCTION. THE INDUSTRIES NOTED IN ASEAN COMMUNIQUE APPROPRIATE FOR JOINT ASEAN PROJECTS (UREA, SUPERPHOSPHATES, POTASH, PETROCHEMICALS, STEEL, SODA ASH, NEWSPRINT, RUBBER PRODUCTS) ARE ONLY EXAMPLES AND OTHERS MAY BE ADDED.

5. ACCORDING FBIS REPORT OF SINGAPORE RADIO BROADCAST FEBRUARY 26, SINGAPORE P.M. LEE KUAN YEW SAID AT PRESS CONFERENCE IN BALI BEFORE RETURNING TO SINGAPORE THAT THE FIVE ASEAN INDUSTRIAL PROJECTS MAY TAKE FIVE YEARS OR MOE TO REALIZE, BUT WILL HELP CREATE CONFIDENCE AND JOBS. ASKED HOW PROJECTS WILL BE FINANCED, LEE SAID EACH PROJECT WILL BE FINANCED BY COUNTRY IN WHICH IT IS LOCATED; BUT, HOPEFULLY, THERE WILL BE FAVORABLE CREDIT FACILITIES FOR BUYING MACHINERY FROM AMERICA, JAPAN AND WESTERN EUROPE, AND IT IS HOPED PROJECTS WILL BE SUPPORTED BY SUCH AGENCIES AS IBRD AND ADB. LEE ALSO SAID SINGAPORE WOULD BE INTERESTED IN ANY OF THE INDUSTRIAL PROJECTS NOTED IN COMMUNIQUE EXCEPT STEEL.

6. IMPEMNTATION OF PREFERENTIAL TRADING ARRANGEMENT AND JOINT INDUSTRIAL PROJECTS WILL BE DISCUSSED FURTHER
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AT MEETING OF ASEAN MINISTERS OF ECONOMY IN KUALA LUMPUR, MARCH 8-9.
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